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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
OAKLAND DIVISION

ORACLE USA, INC., *et al.*,

Plaintiffs,

v.

SAP AG, *et al.*,

Defendants.

CASE NO. 07-CV-01658 PJH (EDL)

**ORACLE'S OPPOSITION TO  
DEFENDANTS' MOTION FOR  
PARTIAL SUMMARY JUDGMENT**

Date: May 5, 2010  
Time: 9:00 am  
Place: 3rd Floor, Courtroom 3  
Judge: Hon. Phyllis J. Hamilton

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## 1 I. INTRODUCTION

2 Defendants' ("SAP's") latest motion for partial summary judgment ("MSJ") does not  
 3 disavow liability for any of TomorrowNow, Inc.'s ("SAP TN's") massive unauthorized  
 4 downloading and copying of Oracle's copyrighted applications and related support materials, or  
 5 for SAP AG's and SAP America, Inc.'s knowledge, control and complicity. Instead SAP asks  
 6 the Court – yet again – to endorse ways to shield SAP from paying Oracle in full for what SAP  
 7 took and the damage it caused. SAP's arguments either fail under the law and facts, are a rehash  
 8 of arguments already lost, or seek relief where there is no dispute.

9 Contrary to SAP's first argument, plaintiff Oracle EMEA Ltd.'s ("OEMEA") claims have  
 10 more than sufficient connections to California to allow OEMEA to bring its claims as a pendent  
 11 party under 28 U.S.C. § 1367. Indeed, in its Answer, SAP already admitted that all plaintiffs'  
 12 claims "derive from a common nucleus of operative facts," that "a substantial part of the events  
 13 giving rise to the dispute occurred in this district," and to numerous relevant California-based  
 14 activities. SAP's second argument seeks an improper advisory opinion barring the Oracle  
 15 plaintiffs from pursuing lost profits damages that they do not seek. SAP's third argument – that  
 16 Oracle cannot recover the billions in research and development ("R&D") costs or licensing costs  
 17 SAP avoided having to incur by using Oracle's software and related support materials – is flat  
 18 wrong: unjust enrichment envisions and endorses having SAP repay Oracle for the benefits SAP  
 19 unjustly retained, and one of the largest and most valuable benefits SAP received was immediate  
 20 and free access and use of vast quantities of Oracle software and support materials, that SAP  
 21 never had to develop itself.

22 SAP's fourth argument violates Civil Local Rule 7-9 by improperly rearguing – without  
 23 Court permission or proper justification – that the value to SAP of avoiding R&D costs is not  
 24 relevant to the fair market value ("FMV") of Oracle's hypothetical license damages model for  
 25 SAP's copyright infringement. The Court called this "one of the two main issues" of SAP's  
 26 prior damages summary judgment motion ("1st MSJ") and denied the motion in full. The Court  
 27 held that "Oracle should be permitted to present evidence regarding the fair market value of the  
 28 copyrights that SAP allegedly infringed, including expert testimony based on established



valuation methodology.” Dkt No. 628 (“Order on 1st MSJ”) at 5:5-7. That evidence includes the billions in development costs that SAP did not have to spend. As Oracle previously established, nothing in Ninth Circuit law – or any other credible authority – precludes the jury’s consideration of such relevant evidence, and established valuation methodology endorses incorporating such evidence into the FMV analysis.

SAP’s final argument is a non-issue. SAP argues that Oracle should be restricted from seeking undisclosed damages for its Trespass to Chattels and Computer Data Access and Fraud Act (“CDAFA”) claims. Oracle did disclose those damages. Moreover, its damages expert has exhaustively detailed the lost profits calculations and the investigation costs Oracle seeks to recover under these and other claims. SAP cannot claim surprise or prejudice. Finally, SAP is simply wrong that Oracle cannot seek the lost profits it has disclosed under the CDAFA; the language of the remedies provision and the legislative history confirm the availability of broad compensatory damages.

SAP’s efforts to further pare down its monetary exposure for the harm Defendants have caused Oracle should be denied in full.

## **II. LEGAL STANDARD FOR SAP’S MSJ**

As the moving party, SAP bears the burden of proving “that there is no genuine issue as to any material fact and that [it] is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). In making this determination, the Court must view the evidence in the light most favorable to Oracle, the nonmoving party. *County of Tuolumne v. Sonora Cmty. Hosp.*, 236 F.3d 1148, 1154 (9th Cir. 2001).

## **III. OEMEA’S CLAIMS ARE PROPERLY BEFORE THIS COURT**

Plaintiffs OEMEA, Oracle USA, Inc. (now known as Oracle America, Inc.) and Oracle International Corporation (“OIC”) bring four California law claims against Defendants: intentional and negligent interference with customer relationships, and unfair competition and unjust enrichment (also brought by plaintiff Siebel Systems, Inc.). Declaration of Holly House (“House Decl.”), ¶ 2, Ex. 1 (Fourth Amended Complaint (“FAC”)) ¶¶ 190-217, 224-26. In its Answer, SAP admitted that OEMEA is a proper plaintiff and that its California law claims

1 should be tried with those of the other Oracle plaintiffs under the doctrine of supplemental  
 2 jurisdiction over pendent claims and parties. *Id.* ¶ 2, Exs. 1, 2 (FAC, Answer to FAC  
 3 (“Answer”)) ¶47. This admission contradicts SAP’s about-face assertion that OEMEA’s  
 4 California claims are improper because they are purportedly “wholly extraterritorial” and that  
 5 pursuing them thus violates due process. MSJ at III. SAP’s argument is also based on  
 6 inapplicable and misapplied law, and contradicted by substantial evidence of California  
 7 connections.<sup>1</sup>

8 **A. Admissions In SAP’s Answer Defeat SAP’s Objections to OEMEA’s**  
 9 **California Claims**

10 Oracle pleads supplemental jurisdiction over OEMEA and its state law claims under  
 11 28 U.S.C. § 1367. House Decl., ¶ 2, Ex. 1 (FAC) ¶ 47 (“This Court has supplemental subject  
 12 matter jurisdiction over the pendent state law claims and parties under 28 U.S.C. § 1367, because  
 13 these claims are *so related to Oracle’s claims under federal law that they form part of the same*  
 14 *case or controversy and derive from a common nucleus of operative facts.*”) (emphasis added).  
 15 SAP twice unconditionally admitted these allegations. *See* Dkt Nos. 182, 225 ¶ 47; House Decl.,  
 16 ¶ 2, Ex. 2 (Answer) ¶ 47. SAP also twice admitted: “Venue in this district is appropriate,  
 17 pursuant to 28 U.S.C. § 1391, because a substantial part of the events giving rise to the dispute  
 18 occurred in this district, a substantial part of the property that is the subject of the action is  
 19 situated in this district, and the Court has personal jurisdiction over each of the parties as alleged  
 20 throughout this Complaint.” *See* Dkt Nos. 182, 225 ¶ 48; House Decl., ¶ 2, Exs. 1, 2 ¶ 48.  
 21 Further, SAP repeatedly admitted to numerous relevant California activities. *See* Dkt Nos. 182,  
 22 225 ¶¶ 43, 103; House Decl., ¶ 2, Exs. 1, 2 ¶¶ 43, 106. SAP cannot claim now that OEMEA’s  
 23 claims are unique and do not derive from common relevant facts involving the very same  
 24 California claims brought by the other Oracle plaintiffs. In addition, SAP did not plead any  
 25 affirmative defenses challenging the propriety of OEMEA’s California claims, which further

26 <sup>1</sup> The Court should not confuse OEMEA’s standing with that of dismissed plaintiff J.D,  
 27 Edwards Europe (“JDEE”). The basis for JDEE’s dismissal was extraterritorial copyright  
 28 infringement. *See* Dkt. No. 224 at 6:1-6 (holding that infringement of JDEE’s “right to distribute  
 extraterritorially” does not give rise to a “claim of copyright infringement”). OEMEA does not  
 assert a copyright claim, so there is no similar issue with OEMEA.

1 discredits SAP's current argument. *Id.* ¶ 2, Ex. 2 (Answer) at 24-26.

2 In its MSJ, SAP never mentions its prior admissions or its failure to plead any challenges  
3 to OEMEA's California law claims. Its Answer alone should defeat SAP's argument that  
4 OEMEA's California law claims are improper and unconstitutional.

5 **B. OEMEA's Claims Are Not "Wholly Extraterritorial"**

6 SAP's argument against OEMEA's California claims rest on SAP's assertion that  
7 OEMEA's claims are "wholly extraterritorial." MSJ at III.A&B. The evidence SAP cites in  
8 support of this argument is irrelevant in light of the facts it ignores, which are dispositive. A  
9 comparison of each side's evidence follows.

10 *SAP's Evidence:* SAP first notes OEMEA is an Irish company with a sales territory and  
11 customers outside of the United States. MSJ at 4-5. But, as explained in Section III.C below,  
12 OEMEA's nationality and sales territory do not transform OEMEA's claims into extraterritorial  
13 claims. SAP also claims, without support, that it is "undisputed" that OEMEA bases its claims  
14 "on alleged TN support and marketing activities that took place outside of California." MSJ at  
15 5:8-9. Below, Oracle shows not only myriad marketing and support activities emanating from  
16 California, but scores of other California connections as well.

17 SAP then asserts, again without support, that SAP TN's "marketing to European  
18 customers occurred in Europe." MSJ at 5:12. To the contrary, Oracle shows below the  
19 significant SAP TN and SAP marketing and sales efforts in California aimed at exploiting SAP  
20 TN's corrupt support model to win OEMEA customers.

21 Finally, SAP notes that, in opposing SAP's Rule 12(b)(6) motion to dismiss JDEE,  
22 Oracle cited the fact that the software environments SAP TN used to support customers were  
23 stored on Texas servers. MSJ at 5:11-20. Under the law cited in Section III.C below, that Texas  
24 connection does not negate the many California connections. Moreover, SAP cannot deny that  
25 the environments on those very servers were built in part using downloads accessed and taken  
26 through Oracle's California computer systems. *See* House Decl., ¶ 22 & cited Exs.

27 *Oracle's Evidence:* As SAP admits, all Oracle plaintiffs' claims derive from "a common  
28 nucleus of operative facts." *Id.*, ¶ 2 & Exs. 1, 2 (FAC, Answer) ¶ 47. The same unlawful and

disruptive actions by SAP also triggered OEMEA’s customer losses, which actions will be proved by much of the same evidence as that used to prove the other plaintiffs’ claims. Much of the critical activity occurred in California:

- *Agassi*. Then SAP AG board member and head of product development, Shai Agassi, **a California resident**, hatched the plan to acquire SAP TN, and designed its anti-Oracle business model going forward. House Decl., ¶ 7 & cited Exs. Indeed, when SAP announced its acquisition of SAP TN, Agassi likened the impact on Oracle to “a bomb going off on the eleventh floor [*i.e.*, the executive suite at **Oracle’s Redwood Shores, CA headquarters**].” *Id.*, ¶ 8 & cited Exs.
- *Zepecki*. Pre-acquisition, Agassi also charged SAP Vice President of Products and former PeopleSoft VP, John Zepecki, **a California resident**, with assessing issues with TN’s service delivery method. Zepecki then communicated its likely illegality to members of the SAP board. *Id.*, ¶¶ 9-10 & cited Exs.; Oracle’s MSJ at 14:11-20.
- *SAP’s Legal Advice*. From due diligence until the wind-down of SAP TN, SAP’s legal advice about the actions – and inactions – of all Defendants came from their **Palo Alto based** lawyers. House Decl., ¶ 11 & cited Exs; Oracle MSJ at 14:27-28, 15:1-4. In addition, many of SAP TN’s customer support agreements were reviewed, negotiated, and approved by Defendants’ corporate counsel, Chris Faye and Scott Trainor, who performed much of this work from SAP corporate offices **located in California**. House Decl., ¶ 12 & cited Exs. These included the contracts of at least one OEMEA customer. *Id.*
- *SAP TN California Employee Acts*. For years, SAP TN employees – including its founder, head of sales and other high ranking employees – committed wrongful acts of interference against OEMEA working from offices **located in California**. *Id.*, ¶ 13 & cited Exs. This is not surprising because much of SAP TN’s employee base came from PeopleSoft, headquartered in Pleasanton. *Id.*, ¶ 14 & cited Exs.
- *SAP’s Safe Passage Program*. SAP’s Safe Passage program (including SAP TN’s pivotal part of same) was conceived, implemented, and managed by SAP’s employees **located in California**. *Id.*, ¶ 15 & cited Exs. SAP TN was the “cornerstone” of Safe Passage, which was designed to wrongfully interfere with Oracle’s customer relationships, and SAP’s **Palo Alto** marketers worked with SAP TN’s **California** employees on Safe Passage. *Id.*, ¶ 16 & cited Exs.
- *Europe Outreach*. Safe Passage included specific efforts to use SAP TN to lure customers located in Europe (*i.e.*, OEMEA’s customers). *Id.*, ¶ 17 & cited Exs. Indeed, expanding SAP TN’s geographic abilities to compete with Oracle in Europe was one of SAP’s first priorities. *Id.*, ¶ 18 & cited Exs. SAP’s **California-based** Safe Passage group fielded many of SAP TN’s marketing queries about Europe. *Id.*, ¶ 19 & cited Exs.
- *SAP’s OEMEA Customer Efforts*. In addition, all Defendants participated in sales and marketing activities which targeted OEMEA’s customers – much of which emanated from employees **located in California**. *Id.*, ¶ 20 & cited Exs.

- 1 • *Board and Other Meetings.* Each of the three Defendants had meetings *in*  
2 *California* during the relevant period, and SAP TN's business model, its role in  
3 Safe Passage and its expansion into Europe were discussed at some of those. *Id.*,  
4 ¶ 21 & cited Exs.
- 5 • *Systems Location.* Over the relevant period, SAP TN repeatedly accessed  
6 PeopleSoft's and then Oracle's computer systems *located in California* to use  
7 massive amounts of Oracle proprietary software support materials to lure away,  
8 and ultimately provide discounted support to, OEMEA customers. *See* Oracle's  
9 MSJ at Section IV; House Decl., ¶ 22 & cited Exs.

10 On its own admissions and the above facts, SAP cannot show that OEMEA's California  
11 claims result in improper application of California law to solely extraterritorial activity.

12 **C. The Law Allows Out-Of-State Parties Like OEMEA To Seek Relief For**  
13 **Harm Partly Occurring In, Or Emanating From, California**

14 Anyone who has suffered harm "from unlawful acts or omissions in California may  
15 recover damages [in California] from the person at fault." *Diamond Multimedia Sys., Inc. v.*  
16 *Superior Court*, 19 Cal. 4th 1036, 1059 (1999) (citing Cal. Civ. Code § 3281). SAP cites the  
17 "'presumption against California law being given extraterritorial effect'" but acknowledges it  
18 arises only "'when the wrongful act as well as the injury occurred outside California.'" MSJ at  
19 2:27-28 (quoting *Arabian v. Sony Elec. Inc.*, No. 05-CV-1741, 2007 U.S. Dist. LEXIS 12715, at  
20 \*30 (S.D. Cal. Feb. 22, 2007)). Even where, as here, relevant conduct outside of California also  
21 occurs, California law still applies where there are adequate California connections, a proposition  
22 affirmed by each case SAP cites. MSJ at 3:4-19; *see also Kearney v. Salomon Smith Barney,*  
23 *Inc.*, 39 Cal. 4th 95, 119-20 (2006) (applying California privacy law to surreptitious tapings  
24 where only one participant to call in California and taping initiated out-of-state); *Solid Host, NL*  
25 *v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1122 n.67 (C.D. Cal. 2009) (denying motion to  
26 dismiss nonresident's California Unfair Competition Law ("UCL") claim because complaint  
27 alleged conduct occurred in California); *Florida v. Tenet Healthcare Corp.*, 420 F. Supp. 2d  
28 1288, 1311 (S.D. Fla. 2005) (denying motion to dismiss Florida resident's California UCL claim  
because defendant devised, implemented, and directed scheme in and from California).<sup>2</sup>

<sup>2</sup> SAP's cases also recognize that adequate California connections end the debate. *See, e.g., Norwest Mortgage, Inc. v. Superior Court*, 72 Cal. App. 4th 214, 224-25 (1999) (California "state statutory remedies may be invoked by out-of-state parties when they are harmed by

SAP's intimation that OEMEA's Irish nationality decides the issue also is incorrect. MSJ at 4:14-17. SAP's only cited case did not dismiss the Canadian plaintiff's claim based on its nationality but because "the specific misconduct identified . . . occurred in Chicago, Illinois - clearly outside the purview of the UCL." *Meridian Project Sys., Inc., v. Hardin Constr. Co., LLC*, 404 F. Supp. 2d 1214, 1225 (E.D. Cal. 2005); *see also Burnett v. Al Baraka Inv. & Dev. Corp.*, 274 F. Supp. 2d 86, 98-99 (D. D.C. 2003) (foreign national plaintiffs' claims allowed under 28 U.S.C. § 1367 because their claims "are unquestionably so related to those of the other [U.S.] plaintiffs as to form part of the same case or controversy").

#### **D. OEMEA's Inclusion in the Case Fully Comports With Due Process**

SAP's due process argument also fails. SAP correctly cites the test: California "'must have a significant contact or significant aggregation of contacts, creating state interests, such that choice of its law is neither arbitrary nor fundamentally unfair.'" MSJ at 6:7-9 (quoting *Arabian*, 2007 U.S. Dist. LEXIS 12715, at \*31). However, SAP cannot show that test is not satisfied, for four reasons.

First, SAP's due process complaints all rest on SAP's assertion that "OEMEA's claims are not based on injuries or conduct that occurred in California." MSJ at 6:15-17. As shown above, that is not true. *See* Section III.B.

Second, non-residents such as OEMEA are permitted a right of action under California UCL law (and the related California common law claims OEMEA presses) because California has a "clear and substantial interest in preventing fraudulent practices in this state," and in "extending state-created remedies to out-of-state parties harmed by wrongful conduct occurring in California." *Diamond Multimedia*, 19 Cal. 4th at 1059-64. None of SAP's inapposite class wrongful conduct occurring in California."). As a fallback, SAP argues that any California acts "must give the claim more than a superficial connection to the state." MSJ at 3:20-21. SAP's authorities are off-point in light of the substantial connections described below. Moreover, in *Speyer v. Avis Rent a Car Sys., Inc.*, 415 F. Supp. 2d 1090, 1099 (S.D. Cal. 2005) a putative class of California residents was not allowed to pursue California claims where, unlike here, defendants' injurious conduct (charging fees) occurred outside California. *Guy v. IASCO*, No. B168339, 2004 WL 1354300 (Cal. Ct. App. June 17, 2004), cannot be cited under Civil L.R. 3-4(e); *see also Smith v. Cardinal Logistics Mgmt. Corp.*, No. 07-2104, 2008 WL 4156364, at \*6 n.5 (N.D. Cal. Sept. 5, 2008). The facts also differ: *Guy* rejected application of California employment law where most plaintiffs received their paychecks outside California, never paid California taxes, and performed 90% of their work outside California. 2004 WL 1354300, at \*2.



1 action authorities undercuts this rule.<sup>3</sup>

2 Third, SAP does not carry its burden of showing that Defendants and OEMEA did not  
 3 have a reasonable expectation that California law would govern OEMEA's claims. *Cf. Roesgen*  
 4 *v. Am. Home Prods. Corp.*, 719 F.2d 319, 321 (9th Cir. 1983) (California Supreme "[C]ourt  
 5 w[ould] decline to apply California law when the facts indicate that the parties' only reasonable  
 6 expectations were that the law of a foreign state would apply."). Both SAP (which contemplated  
 7 suit by Oracle in connection with its acquisition of SAP TN) and OEMEA (as an Oracle  
 8 subsidiary) would reasonably expect that the Oracle parent company headquartered in California  
 9 would control this litigation. House Decl., ¶ 23 & cited Exs. *Cf. Hertz Corp. v. Friend*, No. 08-  
 10 1107, 2010 WL 605601, at \*11 (U.S. Feb. 23, 2010) (holding that jurisdictional phrase "principal  
 11 place of business" means the place where the corporation's high level officers direct, control, and  
 12 coordinate the corporation's activities). Among other indicators, SAP knew: Oracle is  
 13 headquartered in California; PeopleSoft (whose customers were the targets of Safe Passage) was  
 14 headquartered in California; SAP TN was comprised of many California-based former  
 15 PeopleSoft employees; many SAP employees relevant to the success of SAP's plans to hurt  
 16 Oracle through SAP TN (including its then board member, Shai Agassi, its legal team, and its  
 17 Apollo Safe Passage team) were in California. House Decl. ¶ 24 & cited Exs. SAP can claim no  
 18 surprise at being sued by OEMEA (or any other Oracle plaintiff) here and under California law.

19 Finally, SAP cannot say what law would better apply to OEMEA's claims rather than  
 20 California law, and does not attempt to meet the requirements for applying any alternative choice  
 21 of law, which is its burden. *Hurtado v. Superior Court*, 11 Cal. 3d 574, 581 (1974) ("[G]enerally  
 22 speaking the forum will apply its own rule of decision unless a party litigant timely invokes the

23 <sup>3</sup> SAP principally relies on class action decisions wrestling with a lack of California conduct and  
 24 class-specific problems not at issue here. MSJ at III.C. *Phillips Petroleum v. Shutts*, 472 U.S.  
 25 797, 805 (1985) involved a defendant's concern over the binding impact of case resolution on  
 26 absent plaintiff class members. *Arabian*, 2007 U.S. Dist. LEXIS 12715, at \*28-30, concerns the  
 27 irrelevant "predominance of common claims" requirement standard under Fed R. Civ P.  
 28 23(b)(3). *Speyer*, 415 F. Supp. 2d at 1096-99 was a putative class action where no injurious acts  
 occurred in California. *Tidenberg v. Bidz.com*, No. 08-5553, 2009 U.S. Dist. LEXIS 21916, at  
 \*12-13 (C.D. Cal., Mar. 4, 2009) is a class action case concerning the standing of a non-resident  
 plaintiff asserting a UCL claim where, unlike here, the named plaintiff did not allege any  
 relevant California acts by defendants. In *Churchill Village LLC v. Gen. Elec. Co.*, 169 F. Supp.  
 2d 1119, 1127 (N.D. Cal. 2000), plaintiffs argued for an injunction against out-of-state activity.

1 law of a foreign state. In such event he must demonstrate that the latter rule of decision will  
 2 further the interest of the foreign state and therefore that it is an appropriate one for the forum to  
 3 apply to the case before it.”).<sup>4</sup> Given California’s legitimate interest in OEMEA’s pursuit of  
 4 California claims based on the case facts, SAP could not have shown another jurisdiction’s  
 5 interests trumped California’s. *Cf. Hurtado*, 11 Cal. 3d at 580-87 (choosing California’s  
 6 unlimited damages approach in action for wrongful death of Mexican national in California  
 7 because Mexico’s law was to protect its residents for actions occurring in Mexico and Mexico  
 8 would have no interest in denying full recovery to its citizens harmed in California).

9 OEMEA’s claims should be adjudicated here with the other Oracle plaintiffs’ claims  
 10 under the same law and based on the same nucleus of common facts.

#### 11 **IV. ORACLE DOES NOT SEEK THE LOST PROFITS THAT SAP ASKS THE** 12 **COURT TO BAR**

13 SAP’s request to exclude certain lost profits seeks an improper and overbroad advisory  
 14 opinion. MSJ at 6-10. SAP does not dispute it caused the harm. Instead it relies on corporate  
 15 technicalities to argue for exclusion of certain lost profits Oracle does not seek and for overbroad  
 16 relief as to Oracle’s alternative copyright FMV damages measure.<sup>5</sup>

17 *What Oracle’s Damages Expert Calculated and Why.* Because it has been harmed by  
 18 SAP in many ways, Oracle has many claims, with varying permissible measures of damages.  
 19 Among the measures of damages Oracle is entitled to seek under its plaintiffs’ various claims are  
 20 its lost support profits.<sup>6</sup> Contrary to SAP’s assertions, Oracle seeks only lost support profits to

21 <sup>4</sup> California generally applies a three-step “governmental interest” analysis to choice-of-law  
 22 questions. *Paulsen v. CNF Inc.*, 559 F.3d 1061, 1080 (9th Cir. 2009). Only if the defendant  
 23 shows that more than one jurisdiction has a legitimate interest in the dispute does the court then  
 24 identify and apply the law of the state whose interest would be the more impaired if its law were  
 25 not applied. *See id.*

26 <sup>5</sup> Because SAP addresses only Oracle’s *lost profits* damages (MSJ at 6-8), SAP’s Proposed Order  
 27 on this part of its MSJ is too broadly phrased: “Plaintiffs may not recover damages of non-  
 28 parties, including nonparty related companies.” Dkt No. 640 at 1:8-9. Oracle may consider the  
 economic impact on affiliated corporate entities in calculating its alternative FMV hypothetical  
 license model for its copyright damages. *Union Carbide Chems. & Plastics Tech. Corp. v. Shell*  
*Oil Co.*, 425 F.3d 1366, 1377-78 (Fed. Cir. 2005), *rev’d on other grounds by Cardiac*  
*Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348 (Fed. Cir. 2009) (en banc).

<sup>6</sup> Oracle’s lost profits measure of damages is limited to lost *support* profits by virtue of  
 Magistrate Laporte’s Rule 37 Order. Dkt Nos. 482, 532. Oracle’s lost support profits can be



1 which each plaintiff is legally entitled. Oracle's copyright lost support profits are restricted to  
 2 those of the lone plaintiff with copyright standing, OIC, and those that "inexorably flow" to OIC.  
 3 House Decl., ¶ 2 & Ex. 1 (FAC) ¶¶ 154-167; *see also Mars, Inc. v. Coin Acceptors, Inc.*, 527  
 4 F.3d 1359, 1367 (Fed. Cir. 2008). For lost profits damages under Oracle's non-copyright claims,  
 5 each Oracle plaintiff seeks only its specific lost profits. Declaration of Tharan Gregory Lanier in  
 6 Support of MSJ ("Lanier Decl."), Ex. A at ¶ 355.

7 Oracle also does not seek to avoid its corporate structure. To the contrary, its structure  
 8 required that Oracle's damages expert trace certain lost support revenues booked initially  
 9 through non-plaintiff Oracle subsidiaries, so that he could then determine the portion of those  
 10 revenues that would have flowed to Oracle plaintiffs. House Decl. ¶ 26, Ex. 3 (Damages Report)  
 11 ¶ 398. Oracle provided the "lost profits [measurement] specific to the Oracle plaintiff entities in  
 12 this case" based on only those revenues that would have flowed to each Oracle plaintiff had the  
 13 historical contractual customer relationships SAP disrupted been maintained. *Id.*<sup>7</sup>

14 Oracle's expert's inclusion of the "organization as a whole" lost support profits  
 15 calculation is not because Oracle seeks all of them. Oracle does not dispute that some of those  
 16 revenues and profits do not flow to Oracle's named plaintiffs and Oracle does not claim such lost  
 17 profits. The "organization as a whole" lost support profits scenario simply shows the difference  
 18 between the lost support profits that are claimed as damages to each relevant Oracle plaintiff  
 19 versus the larger lost support profits Oracle Corporation suffered due to SAP's actions. House  
 20 Decl., ¶ 26 Ex. 3 (Damages Report) at 256 tbl. 16. For OIC, that difference is significant. Like

21 \_\_\_\_\_  
 22 recovered under its claims for copyright infringement, intentional and/or negligent interference  
 23 with prospective economic advantage, violations of the Computer Fraud and Abuse Act  
 24 ("CFAA") and CDAFA, and breach of contract. Oracle's other damages and models include:  
 25 copyright hypothetical license models, copyright infringer's profits, unjust  
 26 enrichment/restitution, certain investigation costs, attorneys fees and punitive damages. Lanier  
 27 Decl. Ex. A at 15.

28 <sup>7</sup> SAP does not challenge any specific apportionment of Oracle's damages in its MSJ nor provide  
 any means to do so. Even if it had, such a request would be improper given that SAP's damages  
 expert just issued his report, no expert depositions have been taken, and apportionment of  
 damages between plaintiffs and causes of action would be a highly fact-specific inquiry. House  
 Decl. ¶ 25; *see, e.g., Mars*, 527 F.3d at 1366-67; *see also SEB, A.A. v. Montgomery Ward & Co.,*  
*Inc.*, 412 F. Supp. 2d 336, 348 (S.D.N.Y. 2006) (citing *Mars* and denying summary judgment  
 because "the amount of damages is a question of fact . . . for the jury to determine").

the other lost profits Oracle cannot seek as a result of Magistrate Laporte's Rule 37 order (from discounts, lost applications cross-sales and up-sales), this difference is relevant to undermine SAP's inevitable intimation to the jury that Oracle's FMV license is inflated. *See* MSJ at 1:20-22 (arguing to Court that Oracle seeks "billions in damages" though SAP paid only \$10 million for SAP TN, and served "no more than 3% of Plaintiffs' software maintenance customers."); *see also* House Decl., ¶ 26, Ex. 3 (Damages Report) at 131 n.436. Under this Court's previous order, Oracle conditionally may reference lost profits damages that it is not allowed to claim. *See* Dkt No. 532 at 1:27-2:4 (anticipating potential Oracle jury instruction to avoid jury misimpression of scope of Oracle's lost profits damages). The full computation of Oracle's lost support profits without regard to corporate formalities brings Oracle's actual lost profits damages request into similar perspective. That Oracle Corporation is impacted by SAP's copyright infringement in excess of plaintiff OIC's lost profits alone also is a relevant consideration for Oracle's FMV license amount. *See* n.5 above.

*Advisory Opinions Are Improper.* SAP cannot seek summary judgment regarding a theory of lost profits damages that Oracle has not asserted. *See, e.g., Preiser v. Newkirk*, 422 U.S. 395, 401 (1975) (A federal court's "judgments must resolve a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.") (quotations omitted); *cf. Sun Microsystems Inc. v. Hynix Semiconductor Inc.*, 608 F. Supp. 2d 1166, 1206 (N.D. Cal. 2009) (declining, on summary judgment, to "conclusively decide [the] legal impropriety" of a theory of liability that "defendants presuppose[d]" was being asserted by plaintiffs).<sup>8</sup>

*SAP's Patent Cases Limiting Lost Profits on Technicalities Support Oracle's FMV License Damages.* According to the patent cases SAP cites, Oracle cannot seek the

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<sup>8</sup> Alternatively SAP's request should be rejected as an improper motion in limine ("MIL"). Per the Case Management Order, such motions are due in August (Dkt No. 325), and are limited in number and length. Dkt No. 84 at Section B.3.c. Until damages expert discovery is done, any damages MIL also is premature. *See Fernandez v. Taser Int'l, Inc.*, No. 06-4371, 2008 WL 4775779, at \*3 (N.D. Cal. Oct. 27, 2008) (MIL is premature where expert has not been deposed because purpose of expert's evidence and testimony is unclear).

“organization as a whole” lost profits that SAP caused by its pervasive global infringement. Intentional, sophisticated infringers like SAP benefit from these loopholes and leverage these technicalities in modern complex, international corporate structures, to create a damages shield. *See* MSJ at 7-8. This result goes against the public policy that damages should fully compensate the victim and fully punish the wrongdoer. *See, e.g., Albemarle Paper Co. v. Moody*, 422 U.S. 405, 418-19 (1975); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1585 (Fed. Cir. 1995) (dissent) (“The legal insulation of a wrongdoer from responsibility for its acts is rare in the law, requiring sound basis in public policy.”).

The same body of law provides a solution to this injustice. Precisely because of potential shortfalls of a lost profits remedy in a case like this, Oracle’s FMV license is the most appropriate measure of its copyright infringement damages. *Cf. Union Carbide*, 425 F.3d at 1377-78 (allowing consideration of economic impact on corporate affiliates in calculating FMV license). Indeed, interpreting the *Mars* case that SAP cites, a colleague of SAP’s damages expert at Law and Economics Consulting Group opined: “Consistent with *Mars v. Coin Acceptors* and other recent decisions, in some cases it is only possible to fully compensate the patent holder by allowing a royalty that exceeds both the expected profits of the infringer and its estimated costs of avoiding infringement.” House Decl., ¶ 27, Ex. at 4-5. This is particularly true where, as here, defendants argue “it is reasonable to expect that no license agreement between a patent holder and an infringer would have been reached from the negotiation typically contemplated in reasonable royalty analysis.” *Id.* at 4; *see also* 1st MSJ [Dkt No. 447] at II.B. & II.C; *cf.* Section VI.B. below (re inadequacy of copyright infringers’ profits damages where, as here, infringer claims never to have made profit). These concepts can and should inform the eventual jury instructions on Oracle’s infringement damages.

**V. ORACLE MAY PURSUE “SAVED DEVELOPMENT COSTS” UNDER ITS UNJUST ENRICHMENT CLAIM AND DOES NOT SEEK THEM UNDER OTHERS**

**A. “Saved Development Costs” Are A Proper Damages Measure For Oracle’s Unjust Enrichment/Restitution Claim**

Oracle’s unjust enrichment/restitution claim against SAP requires only that Oracle prove

1 that SAP received and unjustly retained a “benefit” at the expense of Oracle. *Lectrodryer v.*  
 2 *SeoulBank*, 77 Cal. App. 4th 723, 726 (2000). California courts interpret the term “benefit” to  
 3 “denote[] any form of advantage.” *Ghirardo v. Antonioli*, 14 Cal. 4th 39, 51 (1996) (quotations  
 4 omitted). SAP’s unjust access to, retention, and use of Oracle’s extremely valuable software and  
 5 support materials and the competitive advantages it gave are discussed in detail in Oracle’s  
 6 discovery responses and quantified in Oracle’s expert report. *See, e.g.*, House Decl., ¶¶ 28, 31,  
 7 Ex. 9 (Discovery Responses) and Ex. 3 (Damages Report) ¶¶ 144-148; Lanier Decl., Ex. A  
 8 ¶¶ 142-43, 150-52, 282-88. The only issue for purposes of SAP’s MSJ is whether the  
 9 development costs SAP avoided are available to Oracle as unjust enrichment damages as a  
 10 matter of law.

11 The case law confirms they are. “[A] benefit is conferred not only when one adds to the  
 12 property of another, but also when one saves the other from expense or loss.” *Ghirardo*, 14 Cal.  
 13 4th at 51; *see also Cal. Fed. Bank v. Matreyek*, 8 Cal. App. 4th 125, 132 (1992) (“For a benefit to  
 14 be conferred, it is not essential that money be paid directly to the recipient by the party seeking  
 15 restitution.”). This flatly contradicts SAP’s unsupported claim that because Oracle did not  
 16 “literally confer ‘saved development costs’ upon Defendants,” Oracle may not recover them  
 17 under its unjust enrichment/restitution claim. MSJ at 16:26-27.

18 *Ajaxo, Inc. v. E\*Trade Group, Inc.*, 135 Cal. App. 4th 21 (2005) illustrates the point. In  
 19 *Ajaxo*, E\*Trade breached a nondisclosure agreement with a vendor by giving trade secret  
 20 information to the vendor’s competitor. *Id.* at 57. E\*Trade then contracted with the competitor  
 21 who used the trade secret information, saving E\*Trade technology development costs and the  
 22 cost E\*Trade proposed to give the first vendor for its technology. *Id.* On appeal, the court  
 23 upheld an award of damages that included the saved development costs based on a theory of  
 24 unjust enrichment/restitution. *Id.* at 55-57. The court ruled that the purpose of unjust  
 25 enrichment/restitution “is to require the wrongdoer to restore what he has received” and  
 26 therefore, restitution required E\*Trade to return to the vendor the “value” or “benefit” that it  
 27 received. *Id.* at 56 (quotation omitted). The court also held that saved development costs  
 28 provided evidence of unjust enrichment on the vendor’s claim for misappropriation of trade

secrets – a claim quite analogous to SAP’s misconduct here. *Id.* at 63; *see also Bourns, Inc. v. Raychem Corp.*, 331 F.3d 704, 709-10 (9th Cir. 2003) (affirming an award of saved development costs under a theory of unjust enrichment where the defendant was found to have misappropriated trade secrets); *accord Telex Corp. v. Int’l Bus. Mach. Corp.*, 510 F.2d 894, 931-32 (10th Cir. 1975) (saved development costs awarded under unjust enrichment theory for trade secret misappropriation).

SAP neglects to cite any of this relevant and controlling California law or any contrary law (and Oracle is aware of none). The development costs SAP saved are available as a measure of Oracle’s unjust enrichment damages and SAP’s MSJ seeking a contrary ruling should be denied.

#### **B. Oracle Seeks No Saved Development Cost Damages Under Its Other State Law Claims**

SAP spends much of its MSJ seeking additional advisory opinions from the Court on whether “saved development costs” are a proper measure of damages for Oracle’s other California law claims. MSJ at 11-16. This is another “straw person” argument because Oracle never sought “saved development costs” as a measure of damages for its CFAA, CDAFA, Trespass, Breach of Contract, Interference, or Unfair Competition claims. *See, e.g., Lanier Decl., Ex. A ¶¶ 447-49 and Ex. J.* Again, SAP’s request for the Court to issue an advisory opinion on a matter not in dispute between the parties is improper and should be denied. *See, e.g., United States v. Alpine Land & Reservoir Co.*, 887 F.2d 207, 214 (9th Cir. 1989) (“[C]ourts should not render advisory opinions upon issues which are not pressed before the court, precisely framed and necessary for decision.”); *Barco N.V. v. Tech. Props. Ltd.*, No. 08-5398, 2010 WL 604673, at \*2 (N.D. Cal. Feb. 19, 2010) (refusing to issue an advisory opinion on party’s potential claim for attorneys’ fees where party has not yet made such a claim).

### **VI. ORACLE MAY INCLUDE SAVED R&D COSTS IN ITS FAIR MARKET LICENSE MEASURE OF COPYRIGHT DAMAGES**

#### **A. SAP Improperly Seeks Reconsideration Of The Court’s January 28, 2010 Order**

Defendants previously moved for summary judgment on the question of whether “saved

development costs” are relevant to Oracle’s FMV measure of actual copyright damages. The Court denied that motion. Now, Defendants ask the Court to reconsider the question in this second MSJ. MSJ at V.B (“Plaintiffs’ Actual Damages for Copyright Infringement Cannot Include SAP’s ‘Saved Development Costs’ Because This Theory Is Inconsistent with the Copyright Act and Ninth Circuit Precedent”). Both the request – and SAP’s method of seeking it – are improper under Civil Local Rule 7-9.

**1. The Court Has Already Rejected SAP’s Argument That The R&D Costs It Saved Cannot Be Introduced Into Evidence**

In SAP’s prior damages-related MSJ seeking to bar Oracle’s FMV license copyright infringement damages, SAP included the exact same argument, citing the exact same reasons and authorities. 1st MSJ [Dkt No. 447] at III.D (“Plaintiffs Are Not Entitled to A Hypothetical License Based on ‘Saved Acquisition Costs Because this Theory Is Inconsistent with the Copyright Act and Ninth Circuit Precedent”). In response, Oracle explained why “The Value SAP Gained and the Costs It Saved By Misappropriating Oracle’s Copyrights Are Also Proper Measures of Oracle’s Actual Damages.” Dkt No. 483 at 9:17-14:2. In its October 7, 2009 reply, SAP responded that “Saved Acquisition Costs Are Not Permitted Under the Copyright Act and Ninth Circuit Precedent.” Dkt No. 504 at V. This argument was not missed by the Court, which defined this as one of the “two main issues” raised in SAP’s last damages summary judgment motion. House Decl., ¶, Ex. (Transcript of 1st MSJ hearing) at 5:7-25. Counsel also argued the issue at the hearing and answered the Court’s questions on it. *Id.* at 10:14-12:21; 18:18-19:13; *see also id.* at 44:6-11 (Court tells Oracle’s counsel no need to argue the saved acquisition costs issue).

The Court then ruled and found that:

Oracle should be permitted to present evidence regarding the fair market value of the copyrights that SAP allegedly infringed, including expert testimony based on established valuation methodology. The question is not what Oracle would have charged for a license, “but what is the fair market value.” On Davis [v. The Gap, 246 F.3d 152, 166 (2nd Cir. 2001)], quoted in Jarvis [v. K2, Inc., 486 F.3d 526, 534 (9th Cir. 2007)]. So long as “the amount is not based on ‘undue speculation,’” the jury can consider evidence regarding a hypothetical lost license fee. Polar



Bear [Prods. Inc. v. Timex Corp., 384 F.3d 700,709 (9th Cir. 2004)] (citation and quotation omitted).

Order on 1st MSJ [Dkt No. 628] at 5:5-11.

Defendants make the same argument again in this motion. MSJ at V.B. Defendants justify this solely by claiming the “Court did not address whether such saved costs are a permissible measure of a hypothetical license” in its Order. MSJ at 17:5-7. In fact, the Court’s ruling that Oracle could “present evidence regarding the fair market value of the copyrights that SAP allegedly infringed” (Order on 1st MSJ at 5) did just that. Oracle’s opposition brief and the declaration of Oracle’s damages expert, Paul Meyer, explained to the Court how Mr. Meyer was intending to establish the FMV of the Oracle copyrights SAP had infringed and confirmed how his methodology comported with traditional valuation methodologies. Dkt No. 483 at II.F.1; Dkt No. 487 ¶¶ 1-5, 11-14, 17. Mr. Meyer provided an extensive list of the evidence he had considered at that point and explained its relevance to the fair market valuation. Dkt No. 487 ¶¶ 19-48. Included in that evidence was “the cost and time that SAP would have had to incur to independently develop the copyrighted materials at issue, if possible, and the risks associated with unsuccessful efforts.” *Id.* ¶ 39(6); *see also* Opp. [Dkt No. 483] at 17:20-18:4 (listing as FMV inputs the amounts Oracle, PeopleSoft, JDE and Siebel spent on relevant R&D to develop the infringed software and support materials and also the R&D costs SAP avoided). Mr. Meyer noted that “[t]his information is further evidence of the fair market value to SAP of licenses for what it did not develop itself” and that he would “incorporate the opinion testimony of Oracle technical experts [on avoided R&D costs] in forming [his] opinions, as appropriate.” Dkt No. 487 ¶ 46. There is no basis on this record for SAP to conclude that the Court did not already consider and reject SAP’s request that Oracle’s damages expert and the jury should be precluded from considering this obviously relevant evidence.

## 2. SAP Did Not Satisfy Civil Local Rule 7-9’s Prerequisites for Reconsideration of the “Saved Costs” Question

Civil Local Rule 7-9(a) states: “No party may notice a motion for reconsideration without first obtaining leave of Court to file the motion.” SAP failed to do so and its argument

1 should not be reconsidered. *United States v. Beardslee*, No. 94-0186, 2008 U.S. Dist. LEXIS  
 2 105667, at \*3 (N.D. Cal. Dec. 2, 2008) (a “failure [to seek leave to file a motion for  
 3 reconsideration] alone is sufficient for the Court to deny [a] motion for reconsideration”). Even  
 4 if it had moved for leave, SAP could not justify it. The three potential bases for leave to file a  
 5 motion for reconsideration are: “(1) That at the time of the motion for leave, a material  
 6 difference in fact or law exists from that which was presented to the Court before entry of the  
 7 interlocutory order for which reconsideration is sought[]” [and proof that SAP] “in the exercise  
 8 of reasonable diligence . . . did not know such fact or law at the time of the interlocutory order;  
 9 or (2) The emergence of new material facts or a change of law occurring after the time of such  
 10 order; or (3) A manifest failure by the Court to consider material facts or dispositive legal  
 11 arguments which were presented to the Court before such interlocutory order.”  
 12 Civ. L.R. 7-9(b)(1)-(3).

13 The closest SAP comes to any of these prerequisites is its erroneous assertion that the  
 14 “Court did not address whether such saved costs are a permissible measure of a hypothetical  
 15 license” in its Order. MSJ at 17:5-7. On the record above, SAP cannot show any manifest  
 16 failure by the Court. *Cf. Del Mar Seafoods, Inc. v. Cohen*, No. 07-2952, 2007 U.S. Dist. LEXIS  
 17 98610, at \*3 (N.D. Cal. Aug. 27, 2007) (“To the extent [facts] were not discussed to plaintiff’s  
 18 satisfaction in the [Court’s] order, that does not demonstrate a ‘manifest failure by the Court to  
 19 consider’ those facts.”).<sup>9</sup>

## 20 **B. SAP Is Wrong That Its Saved R&D Costs Cannot Be Considered**

21  
 22 Though SAP has not requested, and the Court has not ordered, a further response from  
 23 Oracle, in an excess of caution, Oracle again addresses its right to reference SAP’s saved  
 24 development costs.

25 *SAP’s Saved Costs Are Relevant to the Ninth Circuit “Value of Use” Test.* The R&D

26 <sup>9</sup> In addition, even had SAP received permission to make its reconsideration request, its re-  
 27 argument would be sanctionable. “No motion for leave to file a motion for reconsideration may  
 28 repeat any oral or written argument made by the applying party in support of or in opposition to  
 the interlocutory order which the party now seeks to have reconsidered. Any party who violates  
 this restriction shall be subject to appropriate sanctions.” Civ. L.R. 7-9(c).



costs SAP saved by using Oracle’s software and support materials are directly relevant to the FMV of Oracle’s hypothetical license damages. The Court and the Ninth Circuit have recognized this measure is available to Oracle. *See* Order on 1st MSJ [Dkt No. 628] at 3:6-13 (citing *Polar Bear*, 384 F.3d at 708, *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988), and *Jarvis*, 486 F.3d at 534 as showing that Ninth Circuit endorses an objective “value of use” measure for actual copyright damages).

Oracle expert, Paul Pinto, who provides a conservative quantification of the costs SAP saved, explains the obvious relevance:

The cost of development of the underlying body of applications including the time and technical and litigation risks associated with such development would, in my opinion, and based on my experience, significantly factor into a decision by a potential licensee whether to license a product from the original developer, as well as factoring into the reasonable amount to be paid for that license . . . .

[O]ver my career as an outsourcing advisor and software company executive, I have been involved in hundreds of license negotiations, from the perspective of both the buyer and the seller of products. In negotiating the price of licenses, I would regularly consider the avoided costs, including saved time and avoided risks (such as avoided Research and Development (“R&D”) missteps and avoided litigation from the IP owner) associated with licensing productized software, as opposed to independently developing software. Time and cost, are indeed, the most important considerations to potential licensees in my experience.

Lanier Ex., B at 5, 6; House Decl., ¶ 30, Ex. 4 at 3. This opinion comports with Mr. Meyer’s similar conclusion that the costs, risks and delays SAP avoided are relevant to the value of the materials it infringed under each of the valuation methodologies he uses.<sup>10</sup>

<sup>10</sup> In his report, Mr. Meyer explains that his FMV of use calculations are based not on just one valuation approach (*e.g.*, the cost approach that SAP focuses on in its MSJ) but on multiple valuation approaches, as is recommended. Lanier Decl. Ex. A ¶ 101 (citing Gordon V. Smith & Russell L. Parr, *Intellectual Property, Valuation, Exploitation, and Infringement Damages* at 155 (2005) (“Smith & Parr”) (all cited excerpts are attached as Ex. to House Decl.)); *see also* House Decl., ¶ 32, Ex. 6 (Smith & Parr) at 168. Moreover, SAP erroneously asserts that “[f]or his calculation [of Oracle’s actual damages for copyright infringement] under the ‘cost approach,’ Meyer simply imports [Oracle expert] Pinto’s ‘saved development costs.’” MSJ. at 17:15-17. Even the paragraphs SAP cites from Mr. Meyer’s report make it clear that he is considering not only Mr. Pinto’s analysis, but also “the acquisition cost to Oracle of purchasing the subject intellectual property as well as the research and development by Oracle in the copyrighted materials in suit since the acquisition” and “the amounts PeopleSoft and J.D. Edwards spent on research and development of their intellectual property (which Oracle subsequently acquired).” Lanier Decl., Ex. A ¶¶ 142, 150-52; *see also* House Decl., ¶ 31, Ex. 3 ¶¶ 144-49. Mr. Meyer also considers SAP’s saved R&D costs under the hypothetical negotiation construct that the

1           *No Credible Authority Prohibits Consideration of Saved Costs.* SAP cannot provide any  
 2 credible authority holding it inappropriate to consider its avoided costs among the many factors  
 3 relevant to FMV of the hypothetical license. To the contrary, the Ninth Circuit has endorsed a  
 4 jury instruction for actual copyright damages using this FMV license approach that allowed the  
 5 jury to consider “the value, if any, to defendants of the use of plaintiffs’ works.” *Sid & Marty*  
 6 *Krofft Television Prods., Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1174 (9th Cir. 1977)  
 7 (“*Krofft*”). Moreover, the current relevant Ninth Circuit Model Jury Instruction contains no  
 8 prohibition against consideration of the benefits defendants enjoy from using plaintiff’s  
 9 copyrighted materials but instead broadly proscribes that “[t]he reduction of the fair market value  
 10 of the copyrighted work is the amount a willing buyer would have been reasonably required to  
 11 pay a willing seller at the time of the infringement for the actual use made by defendant of the  
 12 plaintiff’s work.” Instruction 17.23 (Copyright Damages - Actual Damages) (2007). And the  
 13 Seventh Circuit has expressly endorsed use of avoided costs as a measure of actual copyright  
 14 damages – and cited a Ninth Circuit “value of use” case (*Krofft*) as the basis. *Deltak, Inc. v.*  
 15 *Advanced Sys., Inc.*, 767 F.2d 357, 358, 360-61 (7th Cir. 1985) (in case involving direct  
 16 competitors, endorsed “value of use” measure “equal to the acquisition cost saved by  
 17 infringement instead of purchase”).<sup>11</sup>

18           Only the superseded Second Circuit decision, *Business Trends* (which SAP reargues,  
 19 MSJ at 19:9-11), rejected consideration of avoided costs as part of its larger rejection of the  
 20 FMV measure for actual copyright damages. *Bus. Trends Analysts, Inc. v. Freedomia Group,*  
 21 *Inc.*, 887 F.2d 399, 404-06 (2d Cir. 1989). As Oracle showed in its last MSJ opposition (Dkt No.  
 22 483 at 11:17-12:3), in *On Davis* (cited by the Court in its Order on 1st MSJ), the Second Circuit  
 23 subsequently rejected as flawed the entire underlying analysis of *Business Trends* – which relied  
 24 on Nimmer’s interpretation of the 1909 Copyright Act. 246 F.3d at 166, 171-72. Oracle also  
 25 showed that Nimmer himself acknowledges he lost that argument (Dkt. No. 483 at 12:26-28, n.9)

26 \_\_\_\_\_  
 27 Court confirmed Oracle can use. *Id.* ¶¶ 110-111, 232 (bullet 5), 233 (bullets 6, 7).

28 <sup>11</sup> Oracle cited other cases which followed *Deltak* the last time it opposed this requested relief.  
 Dkt No. 483 at 13:2-24.

– and why, especially in cases like this, where the amount SAP actually made off the infringement is less than the harm to Oracle, that failing to consider the value to SAP of the costs it avoided by infringing is a weak disincentive to infringers: “[A] rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers . . . . Even for uninjurious and unprofitable invasions of copyright the court may, if it deems just, impose a liability within statutory limits to sanction and vindicate statutory policy.” 4 *Nimmer on Copyright* (Matthew Bender Rev. Ed.) at § 14.02[B][1] at 14-21 (quotation omitted).

These authorities and expert opinions again establish the recognized relevance of SAP’s avoided costs and the associated avoided risk and avoided time in determining the FMV of SAP’s value of use.<sup>12</sup>

## **VII. ORACLE HAS DISCLOSED ALL ITS TRESPASS TO CHATTELS AND CDAFA DAMAGES, WHICH INCLUDE LOST PROFITS**

In its final damages attack, SAP asserts (a) that Oracle has not disclosed damages calculations relevant to either its Trespass to Chattels or CDAFA claims and (b) that lost profits are not allowable compensatory damages under the CDAFA. MSJ at VI.<sup>13</sup> However, as shown below, SAP is wrong on both counts. Oracle has fully explained all damages it will seek at trial – and nothing precludes Oracle from seeking those disclosed damages. To the extent SAP

<sup>12</sup> SAP’s attempts to discredit Oracle’s expert’s use of the cost approach fail and their cites to Smith & Parr are incomplete and misleading. MSJ at 17:22-18:2. The treatise clearly supports the cost approach as an acceptable valuation methodology and advocates use of it in conjunction with the other methodologies Mr. Meyer uses. House Decl., ¶ 32, Ex. 6 at 148, 155, 261-62. Smith & Parr also lists among the first “Critical Questions” as one “consider[s] licensing negotiations:” “**How much would it cost to invent around this patent?**”; “**How long would it take to invent around this technology?**”; and “**Can we really invent around this patent . . . ?**” *Id.* at 526. Moreover, citing *On Davis*, its chapter on copyright infringement damages is titled: “Recent Decision: Copyright Infringement Damages Can Be Based on Value of Licenses.” *Id.* at 732. Mr. Meyer’s approach using multiple valuation techniques (including the cost approach) is also consistent with accounting standards for fair value measurement endorsed by the Financial Accounting Standards Board (“FASB”). See House Decl. ¶ 33, Ex. 7 at 820-10-35-24 to 35. He provides “expert testimony based on established valuation methodology” as authorized per the Court. Order on 1st MSJ [Dkt No. 628] at 5:5-11.

<sup>13</sup> SAP does not move to dismiss either of these claims. Even if Oracle did not quantify *any* damages from SAP’s trespass to its computer systems, the claim would stand based on the extensive evidence of harm Oracle has presented. See Lanier Ex. A ¶¶ 456-458; *Intel Corp. v. Hamidi*, 30 Cal. 4th 1342, 1351, 1356 (2003) (requiring only that “some actual injury must have occurred” such as the “interfere[nce] with the intended functioning of [a computer] system”).

1 seeks to preclude undisclosed damages, this is another non-issue: Oracle does not intend to  
 2 pursue anything not disclosed.<sup>14</sup> MSJ at 19:22-23; 20:27-21:1.

3 **A. Oracle Has Quantified All the Damages That It Seeks And Which**  
 4 **Are Final For Its Trespass To Chattels And CDAFA Claims**

5 SAP has long been on notice of what damages Oracle is seeking in connection with its  
 6 Trespass to Chattels and CDAFA claims. In its initial September 14, 2007 response to SAP  
 7 TN's Interrogatory No. 5 asking Oracle to describe how SAP damaged it by any action alleged in  
 8 Oracle's complaint(s) (notably not requested by claim), and again through its supplemental  
 9 responses on May 22, 2009, September 18, 2009, November 11, 2009, and December 4, 2009,  
 10 Oracle referenced all the damages it now seeks. House Decl., ¶ 34, Ex. 8. In its May 22, 2009  
 11 Supplemental and Amended Initial Disclosures, Oracle likewise listed all the categories of its  
 12 harm by SAP then known and noted that the damages overlapped between claims. House Decl.,  
 13 ¶ 35, Ex. 10 at 44-45 (lost profits, harm and impairment to Oracle's computer systems, and  
 14 investigation costs bulleted); at 46:28-47:2 (noting damages overlap and Oracle does seek  
 15 duplicate recovery). Oracle then called out these damages as well as attorneys fees and punitive  
 16 damages<sup>15</sup> as harms specific to its CFAA, CDAFA and Trespass to Chattels claims, and pointed  
 17 SAP to some of the evidence in support (including Oracle's Rule 30(b)(6) witness' testimony,  
 18 his "written outline of harm and damages to Oracle's computer systems, databases, data and  
 19 networks"). *Id.* at 48-49.<sup>16</sup> Oracle noted that, among other things, SAP's actions in connection

20 <sup>14</sup> A caveat: should SAP's just- produced, long-overdue liability discovery expose additional  
 21 damages, Oracle reserves its rights to adjust its damages requests. *See* House Decl., ¶ 41.

22 <sup>15</sup> The CDAFA provides: "In any action brought pursuant to this subdivision the court may  
 23 award reasonable attorney's fees." Cal. Penal Code § 502(e)(2). Punitive damages are also  
 24 available under this statute. *Craigslist, Inc. v. Naturemarket, Inc.*, No. 08-5065 PJH, 2010 U.S.  
 25 Dist. LEXIS 19992, at \*44 (N.D. Cal. Jan. 28, 2010). Oracle has not yet calculated the attorneys  
 26 fees or punitive damages it is entitled to under the CDAFA (and other claims) because attorneys  
 27 fees have not yet been fully incurred. *See Optistreams, Inc. v. Gahan*, No. 05-117 REC, 2006  
 28 WL 829113, at \*10 (E.D. Cal. Mar. 28, 2006) (Section 502(e)(2) "appears to authorize the court  
 to award attorney's fees to a plaintiff who prevails in an action under section 502(e)"). If Oracle  
 prevails on its Section 502 claim, it may seek attorneys fees under the statute at that time and the  
 court will determine the amount of the award using the lodestar method which requires total  
 attorney hours as necessary input. *See Craigslist*, 2010 U.S. Dist. LEXIS 19992 at \*55.

<sup>16</sup> In October 2009, Oracle also provided Rule 30(b)(6) testimony and a write up on damages to  
 its systems from SAP TN's downloading of Siebel material. House Decl., ¶ 36, Exs. 12, 13.

1 with these claims “caused Oracle to lose business” and noted the overlap of such damages with  
 2 Oracle’s other breach of contract and interference claims (which seek lost profits). *Id.* This  
 3 information was repeated in Oracle’s November 2, 2009 Third Supplemental and Amended  
 4 Initial Disclosures, which SAP appends to its papers. Lanier Decl., Ex. J at 54.

5 The cited investigation and lost profits damages evidence is precisely what Oracle’s  
 6 damages expert then relied upon, detailed and quantified in his expert report – and indeed, that  
 7 Oracle just explained in its cross-motion for partial summary judgment on its CFAA claim.  
 8 Lanier Decl., Ex. A at ¶¶ 451-58, p. 219 n.657; Oracle’s MSJ [Dkt No. 649] at 22:25-23:5.<sup>17</sup>

### 9 **B. SAP Does Not Carry Its Burden Of Proving Undue Prejudice**

10 SAP references Fed. R. Civ. P. 37(c)(1) and cases applying it. MSJ at 19:27-20:7.  
 11 However, SAP does not move under that Rule, which makes its request improper.<sup>18</sup> SAP also  
 12 does not attempt to satisfy the requirements for preclusion of damages under Rule 37, as it  
 13 previously did as to Oracle’s lost profits from discounting and lost applications up-sell and cross-  
 14 sell opportunities. Presumably that is because there is no analogous “expansion” of or “shift” in  
 15 Oracle’s Trespass to Chattels or CDAFA damages theories or evidence of resulting additional  
 16 workload to SAP, as SAP argued to Magistrate Laporte in its prior motion and on which she  
 17 based her decision. Dkt No. 482 at 4:22-25; 5:9-11; 13:18-25 (basing preclusion on failure to  
 18 disclose “new, more extensive damages theories” in discovery for “over two years” which, if  
 19 allowed, would “trigger large new waves of expensive discovery and expert analysis at this late  
 20 date” which would be “unfair to Defendants, very expensive and hugely time consuming”); *see*  
 21 *also id.* at 9:1-3; 14:14-17; 24:16-21.

22 <sup>17</sup> Oracle noted in its pending MSJ that its CFAA and CDAFA claims have similar elements. *Id.*  
 23 at 23 n.14 (citing *Hanger Prosthetics & Orthotics, Inc. v. Capstone Orthopedic, Inc.*, 556 F.  
 24 Supp. 2d 1122, 1131-32 (E.D. Cal. 2008) (considering summary judgment of CFAA and  
 25 CDAFA claims together based on their “similar elements”)); *see also Craigslit, Inc.*, 2010 U.S.  
 Dist. Lexis 19992, at \*44 (“Compensatory damages are available to Plaintiff under each of its  
 claims.”).

26 <sup>18</sup> *Cf. Hsieh v. Peake*, No. 06-5281-PJH, 2008 U.S. Dist. LEXIS 23649, at \*59-60 (N.D. Cal.  
 27 Mar. 25, 2008) (finding “an opposition to a motion for summary judgment is not a proper place  
 28 for a Rule 37 motion,” that “[i]n any event, a Rule 37 motion must be filed as a separate motion,  
 and in accordance with the local rules regarding the filing of motions,” and that “any Rule 37  
 motion should have been directed to the magistrate judge to whom the court referred all  
 discovery disputes”).



1 Even if SAP were seeking Rule 37 preclusion sanctions, it cannot justify them:

2 [O]n the menu of sanctions that a court may select from in  
 3 applying Rule 37, preclusion of evidence is among the most  
 4 severe. . . . Moreover, “[e]xclusion sanctions based on alleged  
 discovery violations are generally improper absent undue prejudice  
 to the opposing side.” [Citations] . . . .

5 The court also notes that [the movant] bears the burden of  
 6 presenting evidence that it suffered “undue prejudice” as a result of  
 [the complained of] failure to produce a subset of the responsive  
 damages-related documents . . . . [Citation]. The touchstone of the  
 7 prejudice inquiry under Rule 37 is whether a discovery violation  
 “threaten[s] to interfere with the rightful decision of the case” or  
 8 “impair[s] the moving party’s ability to go to trial.” [Citations]

9 *Network Appliance, Inc. v. Bluearc Corp.*, No. 03-5665, 2005 U.S. Dist. LEXIS 16726, at \*9-11  
 10 (N.D. Cal. June 27, 2005) (refusing Rule 37 request to exclude damages-related evidence based  
 11 on assertions of untimely production). *See also Wendt v. Host Int’l, Inc.*, 125 F.3d 806, 814 (9th  
 12 Cir. 1997) (in assessing propriety of preclusion sanction, Ninth Circuit evaluates, among other  
 13 things: “the risk of prejudice to the [opposing party],” “the public policy favoring disposition of  
 14 cases on the merits,” and “the availability of less drastic sanctions”). SAP cannot carry its  
 15 burden of proving “undue prejudice” when it has long been aware of Oracle’s damages theories  
 16 and now has in its possession the lost profits and investigation costs analyses and amounts  
 17 Oracle seeks.

### 18 **C. Lost Profits Are Recoverable Under Oracle’s CDAFA Claim**

19 SAP erroneously claims that lost profits are not recoverable compensatory damages  
 20 under the CDAFA and that damages are “limited to expenditures incurred ‘to verify that a  
 21 computer system, computer network, computer program, or data was or was not altered,  
 22 damaged or deleted by the access.’” MSJ at 22:11; 22:15-24 (quoting Cal. Penal Code  
 23 § 502(e)(1)). SAP makes this claim without a single case so limiting CDAFA damages but  
 24 relying on cases interpreting other statutes and with far different facts.<sup>19</sup> Contrary to SAP’s

25 <sup>19</sup> *Coast Oyster v. Perluss*, 218 Cal. App. 2d 492, 501 (1963) limited the phrase “agricultural  
 26 labor includes” in the Unemployment Insurance Code to the six specifically defined categories of  
 27 services that followed that phrase; there is no such “detailed elaboration” for CDAFA’s allowed  
 28 compensatory damages. *Pitney-Bowes, Inc. v. State Dept. of Food and Agric.*, 108 Cal. App. 3d  
 307, 316-17 (1980), concerns the Business and Professions Code and a phrase that expressly  
 contained the caveat “and shall not include.” *Muller v. Auto Club of S. Cal.*, 61 Cal. App. 4th  
 431, 445 (1998) interprets “includes” in the Fair Employment and Housing Act and limited it

1 assertion, the very language preceding the example of compensatory damages the CDAFA  
 2 includes – “compensatory damages *shall include*” – is expansive not exclusive. Indeed, the  
 3 general rule of California statutory interpretation is that “includes” or “including” is “ordinarily a  
 4 term of enlargement rather than a limitation.” *Ornelas v. Randolph*, 4 Cal. 4th 1095, 1100  
 5 (1993); *accord Hassan v. Mercy Am. River Hosp.*, 31 Cal. 4th 709, 717 (2003) (same).

6 The governing consideration in resolving the ambiguity of the word “includes” is the  
 7 intention of the Legislature. *See Coast Oyster*, 218 Cal. App. 2d at 501; *Muller*, 61 Cal. App. 4th  
 8 at 441. SAP does not provide any indicia of legislative intent to limit the compensatory damages  
 9 available under the CDAFA. *See* MSJ at 23:12-13. Rather, the legislative history of the 2000  
 10 amendments to § 502 reveals that the legislature intended to expand the civil remedies available  
 11 under the CDAFA, not limit them, as SAP suggests. *See* MSJ at 23:12-22.; House Decl., ¶ 39,  
 12 Ex. 16 at 1 (Cal. Bill Analysis, A.B. 2727 Assem., 8/07/2000) (intent is to “[e]xpand civil  
 13 remedies available for computer crimes”). The author of the bill explained that the amendments  
 14 were to combat the rise of “[s]erious computer hacking crimes” by “discourag[ing] [such  
 15 conduct] through harsher penalties and fines.” House Decl., ¶ 37, Ex. 14, at cmt 1 (Cal. Bill  
 16 Analysis, A.B. 2232 Sen. Comm. Pub. Safety, 6/20/2000).

17 The change in the language for subsection (e)(1) from “compensatory damages,  
 18 including” to “[c]ompensatory damages shall include” was made because the legislature added  
 19 “injunctive relief or other equitable relief” to the remedies available under (e)(1). House Decl.,  
 20 ¶ 38, Ex. 15, at 2 (Cal. Bill Analysis, A.B. 2727 Sen., 8/07/2000). There was no intent to limit  
 21 those compensatory damages to the exemplar verification costs; if there was, the legislature  
 22 could have said, “in addition to equitable relief or an injunction, a party may recover certain  
 23 verification costs” or “compensatory damages means verification costs.”<sup>20</sup> It did not. Instead it  
 24 expressly referenced the term “compensatory damages” – which are expansively defined under

25 \_\_\_\_\_  
 26 based on legislative history showing that intent, including by removing the phrase “but not  
 27 limited to.” As shown below, there is no such justification or intent in the legislative history of  
 the CDAFA to limit its allowance of compensatory damages.

28 <sup>20</sup> The legislature used the phrase “means” in other sections of the CDAFA to limit the  
 definitions of several terms. Cal. Penal Code § 502(b)(1)-(3), (5)-(6), (8)-(11).

